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COUNTRY DEVELOPMENT

STRATEGY STATEMENT

FY 1986 UPDATE

NIGER

May 1984

AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D.C. 20523

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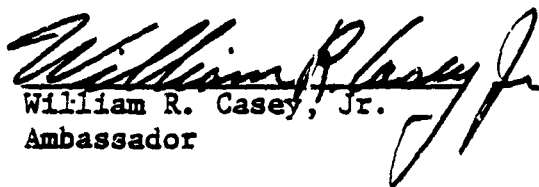
USAID/NIGER

COUNTRY DEVELOPMENT STRATEGY STATEMENT UPDATE

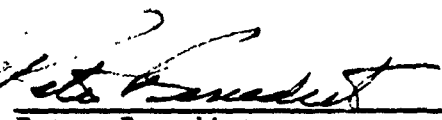
FISCAL YEAR 1986

We are pleased to endorse this Country Development Strategy Statement Update. This update incorporates developments in the Nigerien economy since the CDS was submitted in 1983. It takes account of continued economic difficulties and Niger's attempts at a macroeconomic adjustment program. It also reflects the outcome of USAID's recent program review. USAID's program strategy will entail: (1) a continuing emphasis on increasing agricultural and livestock production; (2) adjustments in the ongoing USAID program in support of the Government's goal of employing the "Development Society" as a means to mobilize physical and human resources from the private sector; and (3) a consolidation of USAID's activities and projects as well as increased donor coordination in order to make better use of scarce management resources.

Approved:


William R. Casey, Jr.
Ambassador

Approved:


Peter Benedict
Mission Director

Date: May 17, 1984

Date: May 17, 1984

I. RECENT DEVELOPMENTS

A. The Development Society

The year 1983 witnessed serious efforts by the Government of Niger to accelerate the implementation of the "Development Society" to achieve greater popular participation. The 1982 Zinder Conference on reforms in the rural sector sets objectives for the Development Society and serves as a basis for joint USG/GON discussions. The Development Society consists of a network of councils dominated by local participation including cooperatives and youth groups at different administrative levels. It is designed to improve communication between the Government and the people, to provide the latter with an established means of expressing popular will, and to involve local groups in the economic development process.

The declining budgetary resources that Niger is experiencing increases the importance of mobilizing such resources. The use of the Development Society is especially adapted to activities related to rural development, such as the development of farmer groups, maintenance and building of infrastructure like rural roads, schools, and village water supply. Participation from beneficiaries should help lower the recurrent costs which would otherwise be absorbed by the Government. It should also provide incentives for better maintenance of the installed capacity.

The Government recognizes its limited resources relative to the need and has moved toward transforming the Development Society idea into actions. Such recognition has been incorporated in Niger's 1984-85 Program of Investment Consolidation (PIC) and in the major reorientation effort of the Ministry of Rural Development to increase the involvement of the Development Society. The interministerial council, the highest-level of the Nigerien decision-making body, adopted a decentralization policy. Administrative decrees have been issued to allow local governments to participate more fully in the decision-making process.

and to have autonomy in certain policy implementation, particularly in carrying out development activities, in the administration of certain licensing procedures, and in agricultural and rural development training and extension.

B. Macroeconomic Situation

Niger's rapid economic and financial deterioration is characterized by increased public debt service. Public debt service payments reached an unmanageable level at the end of fiscal 1983 and are expected to remain at a very high level during the next four years.

The liquidity crisis forced Niger to seek IMF's assistance in the form of a one-year standby agreement (18 million SDRs or about 19 million dollars), and a Compensatory Financing Facility of 12 million SDRs (approximately 12.7 million dollars from July 1983 to December 1983). The IMF's assistance was used mostly to finance the balance of payments deficit (estimated at 130 million dollars in 1982), and to reduce payments arrears to banks and other creditors (for fiscal 1984 the anticipated reduction in payments arrears are 26 million dollars).

The debt situation also forced the Government to conclude a debt re-scheduling agreement with the Paris Club in November 1983 obtaining debt relief agreements from France, United Kingdom, Spain, and the United States. It is almost certain that the Government of Niger will have to reschedule the debts which are falling due in fiscal 1985.

The IMF program and the debt relief effort are crucial in helping to ease the public finance situation and in averting financial collapse. However, important as they are, the IMF program and the debt relief alone will not suffice to correct present financial imbalances and structural constraints faced in the medium-term. In fact, without increased inflow of external resources on concessional terms and sustained government effort to strengthen its financial situation, Niger will be faced with an even more serious financial crisis when

the grace periods on the IMF loan and the debt rescheduling and refinancing come to an end. Such a program will require the support of the international community in order to succeed. The ESF portion of the Rural Sector Development Grant will be part of Niger's overall program of financial stability and structural adjustment. It will also be part of agricultural sector assistance to help Niger conserve its previous investment in the sector as well as to continue its attempt to realize the development potential and to avert further difficulties in its public finance and balance of payments position.

Economic Performance in 1983

Although the uranium price recovered moderately to 27,500 CFA/kg (an increase of 14.6 percent) in 1983, uranium export earnings were offset by a production cut. Uranium exports were 94.3 billion CFAF (about 93 percent of 1981 exports). The value added from uranium mining declined by more than one third to 42.9 billion CFAF from the 1980 peak of 65.6 billion CFAF. Uranium, once the engine of growth, is depressed and expected to remain so for many years.

The sector most severely affected by the uranium recession was construction; it showed a negative growth rate of 15 percent following a decline of 11 percent in 1982. The tertiary sector (commerce, transport and services) continued its sluggish growth in 1983 (8 percent as compared with more than 20 percent during 1979-1982). The growth of the rural sector in 1983 also slowed down significantly; it showed a growth rate of 7.8 percent. Most of the growth in the value added reflected increases in official prices. The Gross Domestic Product at constant prices declined by 4.4 percent in 1983.

According to the Nigerien authorities, the economic recession has bottomed out and a slow recovery is forecast for 1984. The recovery depends on continued and anticipated external resource inflows and the successful implementation of the planned economic adjustments. The Gross Domestic Product in nominal terms is projected to recover from a growth rate of 4 percent in 1983 to 9.4 and 8.3 percent in 1984 and 1985, respectively. This represents approximately 0.2 percent real growth in 1984 and 2.8 percent in 1985. Most of the growth is anticipated to come from the informal sector. The rural sector is expected to contribute about half of the growth for the next two years. The mining sector is forecast to recover from a negative growth rate of 16 percent to a growth rate of 8 percent. The construction sector is expected to decline by another 7 percent in 1984, but with a big increase in value added in 1985. The value added of import taxes and duties are not expected to recover until 1985. The industry and commerce and services sectors are forecast to grow faster than in 1983. There is reason to believe that these forecasts are somewhat optimistic.

The following paragraphs summarize the evolution of Niger's budget, balance of payments, external debt situation and macroeconomic adjustments since the CDSS. More detailed information is presented in an annex to this update.

Niger's budget deficit on a commitment basis rose to a peak of 50 billion CFAF in 1983 and is projected to decline to 24 billion CFAF by 1985. The initial deficit increase was due to a major drop in government revenue, and the Government reduced the deficit by severe pruning of capital and extrabudgetary expenditures, while not permitting any increase in real terms of capital expenditures. Niger had an all-time record deficit of the balance of payments in 1983 due to the decline of net capital inflows and sharp increases in debt

repayments. The IMF Compensatory Financing Facility and standby agreement of November 1983, combined with debt rescheduling have modestly increased foreign exchange reserves, and should reduce the overall balance of payments deficit by nearly three quarters in 1984. Until FY 1983, Niger used foreign borrowing and domestic credit expansion to postpone budget and balance of payments problems, with the result that 1983's ratio of debt service payments to export earnings and private transfers was 32 percent. The debt situation will not improve in the medium-term.

The Government of Niger's adjustment program includes an IMF austerity program debt relief by rescheduling through the Paris Club measures to reform the operations of public and para-public enterprises, and restructuring public investment spending. In January 1984 the IMF concluded that Niger was on track and had met all performance criteria for December 1983. Niger will continue to need debt relief for several years, and the 1984-85 Interim Plan has significantly scaled down and consolidated the investment program, including a reorientation toward the directly productive sector.

II. A.I.D. PRIORITIES

USAID/Niger's strategy effectively incorporates A.I.D.'s four areas of priority concern: policy dialogue; private sector encouragement; institutional development; and technology transfer.

A. Policy Dialogue

A.I.D.'s concern with economic policy dialogue is addressed primarily in the Joint Program Assessment (JPA) and the Agriculture Sector Development Grant (ASDG). Two studies were completed under the JPA in 1983 (the cereals marketing and price policies and an evaluation of agricultural technical packages). With active participation of Nigerien counterparts the studies provided significant inputs to the design of the ASDG. More needs to be done, however, in disseminating the results of these studies.

The ASDG's objectives are implementation of policy reforms in the agriculture sector and providing assistance to Niger's economic and financial stabilization efforts currently implemented under the IMF program. The first Government of Niger/USAID policy reform discussions on agricultural inputs and subsidies, agricultural prices, and credit and cross border trade took place through the ESF-funded Rural Sector Development Grant. The Government has been conducting serious internal reviews and analyses to move into implementing these reforms sparked off by the JPA studies and the ASDG paper.

Under the ASDG, Niger has accepted the idea of increased private sector involvement in agreeing to implement the policies of liberalizing internal grain marketing, allowing cooperatives and private traders to participate in the supply of agricultural inputs, and the promotion of the border trade in livestock and agricultural products. Under the Agricultural Production Support project, the Government has agreed to restructure the official Agricultural Input Supply Agency (Centrale d'Approvisionnement) toward a cooperatively owned entity that competes with other cooperatives and private traders.

During the next three to four years, agriculture sector policy dialogue and studies will continue under the ASDG. USAID also plans to develop a proposal (possibly a joint activities with the IBRD) for the Economic Policy Initiative in 1985, that will reinforce the dialogue.

One of the objectives of USAID/Niger's education and human resources development strategy is to develop and sustain policy dialogue and supporting activities. These include: (a) increased efficiency with which the education resources are used; (b) rationalization of quantitative and qualitative outputs of educational investments; (c) better use of education investments to support economic and social development objectives. The draft of the detailed analysis and assessment of the education sector is presently under Government of Niger/USAID review.

In the health sector, the recent RAPID presentations to Nigerien Government officials have generated useful discussions regarding the impact of population growth on planned development activities. The Minister of Plan is taking the initiative to insert population data into national planning statistics. USAID is prepared to assist the Government in efforts to develop national population planning activities and a strategy for approaching the problem.

B. Private Sector Encouragement

The Government of Niger has adopted the USAID-co-financed Zinder Conference recommendations concerning the need to promote self-managed cooperative organization to carry out decentralized development activities.

C. Institutional Development

The USAID program includes a number of projects which support institutional development. The Agricultural Production Support project expands and strengthens Niger's national level institutions that provide support services, including cooperative development, agriculture input supply, seed multiplication and extension services. The project is being reoriented along the decentralized, participatory self management objectives of the Zinder Conference including the reorganization of the UNCC (Union Nationale du Crédit et de la Coopération). The cooperative training component focuses on cooperative self management and the development of techniques to foster grassroots, independent cooperatives. The parallel extension training activity concentrates upon instilling non-directive communications techniques encouraging participation and exchange of information. This slow-starting project, which now has a sharper focus, will be extended to permit completion of the transitional stage of the distribution and cooperative training institutions that provide support to the self-managed cooperatives.

The core of Niamey Department Development is the use of training centers which include the transfer of knowledge on agricultural technical packages

and skills (such as functional literacy and numeracy) necessary for self-managed rural organizations. The past year has brought about many changes, including experimentation with a new version of village training which will increase villager participation while reducing some of the recurrent costs. Priority will be given to achieving tangible improvements in these rural organizations.

The Integrated Livestock Production project contributes to institutional development by establishing herder cooperatives that will serve as a vehicle for testing and transferring technical, financial, and managerial innovations and to increase Niger's ability to provide services through this structure.

In the National Cereals Research project, USAID is the principal donor in providing assistance to Niger's National Agronomic Research Institute (INRAN) in order to strengthen its capability to undertake and support agricultural research activities. Efforts will continue to introduce the concept of applied research within this organization.

The emphasis on training and manpower development in rural human resources development projects contributes to the strengthening of institutions necessary for the long-term transfer of technology and improved agricultural production. USAID's projects in literacy training and maternal languages for primary schools and cooperative development programs support a national effort to improve rural literacy.

The Rural Health Improvement project's institutional development and training programs are just now beginning to reach the stage where there are enough trained people in place so that A.I.D. can begin work on extending specific interventions, such as oral rehydration therapy, expanded program of immunization, and child spacing/family planning.

Regarding regional institutional development projects, the Niger River Basin Planning project is designed to establish the institutional capacity for coherent river basin planning although it is now recognized that the pace of scientific research and institutional development will be different. The Sahel Water Data Network and Management project (AGRHYMET) is designed to develop a regional system, including national elements, which will receive, process, interpret, transmit, disseminate, and document complete, timely, accurate, and meaningful weather and climatic information in the Sahel. More emphasis will need to be placed on utilization of results. Both projects are in the second phase of a three-phase long-term institution building activity.

D. Technology Transfer

In the area of technology transfer, USAID's effort is concentrated in the field of agricultural research under the Niger Cereals Research project. This project attempts to increase and strengthen the research capability of Niger's National Agronomic Research Institute (INRAN) in undertaking cereals research and transfer the research results to farmers in the field. The Agricultural Production Support project and the Niamey Department Development project reinforce this through the network of local organizational and extension services.

During the past year, donors became increasingly concerned about serious shortcomings of the agricultural technical package, particularly the inappropriateness of applying the package nationwide without consideration of the variations in the local agronomic environment. The USAID-financed study of the economics of technical packages under the JPA contributed to this realization. Furthermore, there is the problem of transferring research results from laboratory to the field as well as the need to change the emphasis from basic to applied research. There are indications that the project should make

significant progress by next year in terms of raising the awareness and the urgent need to change its emphasis on agronomic research.

III. USAID STRATEGY

The program strategy, as presented in the FY 1985 CDSS, is divided into short, medium, and long-term strategies. The short-term strategy is directed toward economic and financial stabilization and reform in agricultural policies. The medium-term strategy involves continuing efforts to increase food production, a cautious experimental approach to irrigation development, particularly in the areas of planning and institutional development, developing Niger's health sector, and moving toward more private sector participation. The long-term strategy focuses on agricultural research, human resource development, and the development of the private sector.

The strategy remains valid in general. The macroeconomic analysis in the previous section indicates that the case for economic stabilization is even stronger than when the FY 1985 CDSS was submitted in January 1983. The political will to take necessary policy adjustments also exists as evidenced by the adoption of the IMF austerity program, other macroeconomic policy adjustments and the implementation of the Development Society structure. The policy environment for successful non-project assistance is improving.

Following the program review and in recognition of the emphasis placed on the Development Society by the Government, USAID's medium-term strategy will be modified. The strategy will now include a greater shift in program emphasis toward efforts to increase agricultural and livestock production and to assist Niger attain its decentralization aspiration through the elaboration of the Development Society. Furthermore, in order to minimize the management burden, USAID's medium-term strategy will also focus on the possibility of consolidating activities in different projects which are complementary and could

be integrated into a sector or sub-sector like assistance program at some point in the future.

A. Economic Stabilization

USAID's economic stabilization strategy includes the use of both ESF and DA funds. ESF, the ASDG, and possibly funds from the Economic Policy Initiative will be the main components of the stabilization strategy. However, because the economic and financial difficulties are more serious than foreseen in January 1983, particularly with the debt situation, it is likely that non-project assistance will be required into the late 1980's.

It was concluded during the program review that P.L. 480 is not appropriate at present as an assistance modality to provide local currency for economic stabilization. Furthermore, Niger is marginally self-sufficient in food grain, especially with imports from Nigeria. USAID, however, will continue to be responsive to disaster preparedness planning, since drought and food failure are constant menaces.

B. Agricultural Production

The increased emphasis on the Development Society is consonant with A.I.D.'s policy of mobilizing resources from the private sector. In recognition of this significant development, and as an outcome of our program review, USAID's medium-term strategy objective is refined to focus more closely on the development of self-managed local organizations for increasing food production and as a means to involve more private sector participation. The core program includes the Agricultural Production Support project, the Niamey Department Development project, the Integrated Livestock project, and the possible experimental approach to develop self-managed cooperatives for irrigation development.

An irrigation sub-sector review was undertaken in early 1984. Although the study has not yet reached its final form, several options and tentative

conclusions emerged. Since other donors are heavily into physical rehabilitation, USAID would consider increasing the efficiency of irrigation infrastructure already in place (now only about 50 percent). This could include focusing on those areas in which USAID has expertise through complementary projects such as cooperative training and organizations, applied research and extension and water management. Given the relative lack of involvement of several donors in irrigation extension and development in self-managed cooperatives, a possible area for a 1986 project might be an experimental project in Cooperative Irrigation Management. The project's purpose would be to develop and implement a system for self-managed cooperatives in irrigation areas to use in water management and extension of improved agriculture production technologies. The project would build on organizational and extension training techniques used in the Niamey Department Development and Agricultural Production Support projects, as well as lessons learned in the irrigation activities in Tara II operational program grant with AFRICARE. The potential for production of higher value crops exists, given adjustments in government irrigation policies. Thus in refining project components we will explore marketing opportunities, the private sector role in marketing, and methods of improving cooperative management.

C. Long-Term Institutional Development

USAID's long-term institutional development objectives in agricultural research and human resource development remain valid. These activities have a long gestation period, and contribute directly to the agricultural production strategy objective. Agricultural research is an important factor for increasing agricultural productivity. Investment in human resources is essential for the transfer of technology. USAID's key project for attaining this long-term objective is the National Cereals Research project.

Within the area of education, USAID plans to continue and increase emphasis on rural literacy and numeracy training. A degree of functional literacy and numeracy is absolutely necessary for effective operation of self-managed cooperatives, and thus contributes to Niger's Development Society objectives. USAID will continue activities in agricultural education stressing extension and cooperative training. USAID will also stress participant training and human resources development within projects. Consideration is being given to the possibility of a project that will focus on human resources planning and effective use of resources in the education sector.

The Rural Health Improvement project supports the Government's strategy of developing a viable rural health delivery system and includes establishment of a central health planning unit. Improved health and nutrition are extremely important in reducing agricultural production losses due to farmers and herders not being able to work at full capacity due to ill health at times of peak labor requirements. USAID is exploring, with the Government of Niger, ways of introducing oral rehydration therapy, expanded programs of immunization and child spacing/family planning into the health delivery program.

The Forestry and Land Use Planning project has the objective of strengthening the planning capability for natural resource development and thereby improving identification of natural resource problems, opportunities, and solutions. The project's implementation plan has recently been revised to focus on institutional development and more clearly specify project outputs. This project responds to the Government of Niger's increasing priority in the fight against desertification.

D. Planned Program Modifications.

Over the medium and long-term, efforts will be made to increase USAID's program concentration in agriculture and livestock. Activities in some of the

existing projects will be dropped, phased out upon project completion, reoriented or combined into other existing projects if they can be justified economically and administratively both from the Government's point of view and from USAID's management point of view. Present projects which may be candidates for this include the Niamey Department Development, Integrated Pest Management, Niger River Basin, Forestry and Land Use Planning, and Rural Human Resource Development projects. USAID is increasingly concerned about problem regional projects like the Integrated Pest Management project and the Niger Basin Authority project which have placed a heavy burden on USAID's management resources relative to their demonstrated outputs, which have only a relatively limited contribution in the very long-term future to our bilateral program, and which have poor support from the Government.

IV. RESOURCES FOR THE PROPOSED A.I.D. PROGRAM

The program review investigated a number of management concerns regarding USAID/Niger's program. It was generally agreed that overall bilateral Sahel Development funding level was sufficient for carrying out our program in an 18 million dollar AAPL extending to 19 million dollars in out years. Efforts will be made to continue to reduce mortgages and where possible to finance the entire life of project in the initial obligation of funds.

Several factors enter into calculations on staffing levels to carry out the program. We know that regional projects impose a considerable workload on staff carried under bilateral ceilings. We do not yet know the full management implications of running a commodity import program or how rapidly we can recruit Nigerien professionals and train them to take on some of the work now falling on U.S. direct hire staff. Niger has an acute shortage of people trained in technical and management fields, and also of skilled secretaries (especially bilingual). Even in mounting an aggressive training program for professionals

(we have already begun this process in the agriculture division and controller's office), it will take three to four years before we see results that will permit reduction of USDH staff.

It is obvious that by using a commodity import program device within the Agriculture Sector Development Grant, USAID must have a USDH supply management officer. Accounting requirements of sectoral assistance based on macroeconomic and agricultural policy reform requires the continuing presence of a mission economist and an agricultural economist, and both must participate in the continuing policy dialogue. Local professional staff will be needed to help in local currency programming and in the policy reform programs. Although the Agriculture Sector Development Grant will finance some of its own technical assistance, it still places an increased workload on USDH staff.

The concentration of the agricultural production "core" projects on the decentralized self-managed organizations (in accordance with the Government of Niger's economic objectives for the Development Society) means that these projects are technical assistance intensive, as well as being substantial consumers of mission management time.

In terms of financial management, we are proposing a bilateral financial management project in 1985. This project will contribute to institutionalizing the project financial management procedures within the Government of Niger and expanding it to other programs, the institutionalization of financial and management controls for commodity imports and counterpart funded projects, and help the Government of Niger in its overall financial management necessary for implementing its economic stabilization and structural adjustment programs.

We are concerned about our ability to provide logistic support for USDH and contract staff, as well as its very high costs. To that end, both USAID and the Embassy are requesting assistance in analyzing and recommending improvements in JAO, as well as examining possibilities for setting up a project support unit under contract.

	1984	1985	1986	1987	1988	1989	1990
I. <u>DEVELOPMENT ASSISTANCE</u> (Sahel Development Program)							
A. <u>Economic Stabilization</u>							
Ongoing Projects	5,000	--	6,000	5,000	--	5,000	--
New Projects	--	2,500	--	--	5,000	--	5,000
B. <u>Agriculture Production/ Technology Transfer</u>							
Ongoing Projects	5,140	11,000	6,000	3,600	2,500	1,000	--
New Projects	--	--	4,000	2,000	5,500	7,000	5,100
C. <u>Institutional Development</u>							
Ongoing Projects	5,860	4,500	--	1,000	6,000	6,000	--
New Projects	--	--	3,000	7,400	--	--	5,100
II. <u>ECONOMIC SUPPORT FUND</u>	5,000	7,000	5,000	5,000	5,000	5,000	5,000
III. <u>ECONOMIC POLICY INITIATIVE</u>	--	7,500	--	--	10,000	--	--
IV. P.L. 480	--	--	--	--	--	--	--
COUNTRY TOTALS							
Sahel Development Program	16,000	18,000	19,000	19,000	19,000	19,000	19,000
Other	5,000	14,500	5,000	5,000	15,000	5,000	5,000

ANNEX

Niger's Budget, Balance of Payments, Debt and Macroeconomic Adjustment Program

1) Public Finance

The budget deficit for fiscal 1983^{1/} was estimated at 50 billion CFAF (132 million dollars) on a commitment basis or 4 billion CFAF more than the 1982 deficit. The increased deficit reflected a significant drop in government revenue (68.7 billion CFAF as compared with the 1982 level of 75 billion CFAF). Total spending in 1983 (119 billion CFAF or 314 million dollars) was approximately 2.4 billion CFAF below the 1982 level. All the spending cuts were absorbed in the National Investment Fund (FNI), a reduction of more than 5 billion CFAF or 13.2 million dollars. Current expenditure outlays increased slightly (from 58.7 billion CFAF to 63 billion CFAF), mostly in debt service payments. Wages and salaries went up slightly, while outlays on goods and services and transfer payments actually declined. Approximately 72 percent of the deficit was financed by external sources with the remainder financed by domestic banking and non-banking sources.

According to the Ministry of Finance projections, total spending is expected to fall by another 11 percent in 1984 due to reduction of capital and extrabudgetary expenditures. Current expenditure will not increase in real terms (an increase of 7 percent in nominal terms). Total spending for 1985 is expected to be slightly below the 1983 level. The 1985 capital expenditure level will be only 78 percent of the 1983 level and less than half of the 1981 level. All categories of expenditures should rise by approximately 8 percent (about the same as the projected rate of inflation) with the exception of subsidies and transfers which are estimated to increase by less than 6 percent.

^{1/} Niger uses the same fiscal year as the U.S. Government.

The projected budget deficits for 1984 and 1985 are 29 and 24 billion CFAF (71 and 83 million dollars) respectively on a commitment basis. However, because of anticipated substantial reductions in arrears accumulated during 1979-1982, the budget deficits should be in the neighborhood of 40 billion CFAF (96 million dollars) on a cash basis.

2) Balance of Payments

Because of a substantial decline in net capital inflows and sharp increases of principal payments on external debt, the overall balance of payments deficit reached a record-high of almost 43 billion CFAF (130 million dollars). The official foreign reserves declined to approximately three weeks of imports in 1982. In 1983 uranium exports continued to decline in dollar terms by 10.5 percent, but the current account deficit was smaller (31 billion CFAF as compared with almost 49 billion CFAF in 1982) as a result of reductions in imports (20.6 percent in dollar terms). The overall balance of payments deficit declined sharply to 7.3 billion CFAF (19.3 million dollars).

The IMF provided 30.8 million SDRs (or 12.5 billion CFAF) from the Compensatory Financing Facility and the first tranche of the standby agreement for financing the balance of payments deficit. The IMF program together with the debt relief improved the net short-term foreign asset position of commercial banks. The net foreign asset position of commercial banks improved mainly because of the conversion of short-term debt to long-term liabilities as a result of the debt rescheduling. The gross official foreign reserves increased modestly to 42.6 million SDRs (17.3 billion CFAF or six weeks of imports) according to the IMF estimates.

According to the IMF projections, the overall balance of payments deficit will be 34 and 26 million dollars in 1984 and 1985 respectively, due to

reduction in the current account deficit, to about 12 million dollars in 1985. The Ministry of Finance, on the other hand, projects the current account deficit to remain in the neighborhood of 72 million dollars for the next two years. Net capital inflows are expected to be lower than 1983, at approximately 25 million dollars. The projected overall balance of payments deficits are 55 million dollars and 43 million dollars in 1984 and 1985 respectively.

3) External Debt Situation

Until fiscal 1983 the budget deficit and balance of payments problems were postponed by resorting to foreign borrowing and domestic credit expansion. Consequently, the debt situation worsened; and as medium- and long-term concessional loans became more difficult to obtain, Niger incurred debts of short maturity on non-concessional terms. In December 1983, the total outstanding and disbursed debt was estimated at 762 million dollars (664 million dollars in public debt and 98 million dollars in private debt) or 46 percent of Gross Domestic Product. The ratio of debt service payments to export earnings and private transfers was 32 percent in 1983 (or about 131 million dollars).^{1/}

The debt situation is not expected to improve until 1988. The public debt service ratio should decline slowly to approximately 21 percent in 1984 and 1985 to average about 19 percent during 1986-1990. The private debt service ratio should decline more quickly from 11-12 percent in 1982-1983 to approximately 6 percent in 1985 and should remain under 5 percent during 1986-1990. Since about half of the debt is denominated in U.S. dollars, the depreciation of the CFAF vis-à-vis the dollar, increases the cost of debt servicing.

^{1/} The figures on outstanding and disbursed debt and the debt service ratio are preliminary estimates. The more definitive figures are expected to be higher.

4) Macroeconomic Adjustment

Severe debt and liquidity problems compelled the Government of Niger to adopt an adjustment program aimed at stabilizing the financial situation and adjust the economy to lower growth. The recovery efforts include an IMF austerity program, debt relief through the Paris Club, measures to reform the operations of public and para-public enterprises, and a program to restructure public investment spending.

In 1983, the Government obtained a Compensatory Financing Facility from the IMF as well as concluded a standby agreement. The standby agreement totals 18 million SDRs (19 million dollars) scheduled for disbursement between October 1983 and December 1983. The IMF program aims primarily at achieving financial stability through reductions in budget and external current account deficits. A number of fiscal and monetary policies were implemented or in the process of being implemented, including: a comprehensive tax reform and government spending cuts in fiscal 1983 and 1984 which are expected to continue in 1985; restrictions on monetary and credit expansion; and limitations on foreign borrowing.

In January 1984 an IMF mission reviewed its financial program to evaluate Niger's performance during the last quarter of 1983 and to set policies for the remaining program period. The IMF concluded that its targets were achieved and all performance criteria for December 1983 have been fully met. The budget deficit for fiscal 1983 was close to the program level (approximately 10 billion CFAF higher than the targeted deficit). Bank financing was at a rate under the initial projection. The overall balance of payments deficit declined significantly in 1983. The IMF has, however, modified the zero ceiling on foreign borrowing with maturity up to 12 years by allowing it to increase to 9.65 million dollars for the first nine months of 1984.

The unmanageable debt situation forced the Nigerien Government to seek debt relief through the Paris Club following the agreement on the IMF financial program. The debt rescheduling agreement was concluded in November 1983. The effect of the debt rescheduling is estimated to be a reduction of debt service obligations by approximately 56 million dollars. The public external debt service payments for fiscal 1984 will be reduced to about 20-24 million dollars. The 1984 internal debt service payments are estimated at 12 million dollars. The Government has also sought debt rescheduling or refinancing on similar terms with private external creditors as well as public external creditors not participating in the Paris Club agreement. The Government is also expected to continue seeking debt relief for the next few years.

As part of the adjustment program, the Government of Niger, with technical assistance from the IBRD, undertook a series of studies to assess the problems associated with public and para-public enterprises during FY 1983. The studies were completed for seven major enterprises in August 1983, including two marketing agencies (grain marketing and other essential consumer goods), a public utilities company, a thermal energy plant, the agency for irrigation and water resources, and two financial institutions (Republic of Niger Development Bank and the National Agricultural Credit Institutions). A number of policy changes were implemented for parastatals including: closing down 121 grain distribution outlets and 325 buying centers; reducing the scope of the operations of the consumer goods agency by limiting its monopoly to far fewer products; increasing the tariffs for water and electricity to reduce public utility company losses and ending subsidies to its employees; and strengthening the financial and technical management of the thermal energy plant.

Another major effort of the adjustment process is in restructuring of public investment program during the next two years. The 1984-85 Interim Plan has significantly scaled down investment program, with a target of approximately 332 million dollars for two years. For the most part, the Plan comprises ongoing projects or extension of projects or programs undertaken during the previous plan. It emphasizes: (a) reorientation of public investment spending more toward the directly productive sector; (b) consolidation of all the capacity installed during the previous Five-Year Plan in the infrastructure and social services sectors in order to make full use of these facilities as well as ensuring their continuing operation; (c) acceleration of the development of the "Development Society" institution to achieve decentralization and encourage more participation from the private sector or cooperatives; and (d) recognition of the need to incorporate macro and sectoral policies in the Plan, particularly the recurrent cost implications of investment programs.

	<u>Projections</u>		
	1982	1983	1984
	(in billions of CFAF)		
<u>Public Finance</u>			
Revenue	75.1	68.7	74.0
Expenditure	121.2	118.8	104.9
-- Current	(58.7)	(63.0)	(67.5)
-- Capital	(62.4)	(55.7)	(34.4)
(of which: FNI) ^{1/}	(11.8)	(6.4)	(7.0)
Deficit (commitment basis)	-46.1	-50.1	-30.9
Change in arrears (decrease -)	4.6	-1.7	-11.5
Financing requirement	31.5	51.8	42.4
<u>Money and Credit</u>			
	(in billions of CFAF, end of year)		
Money and quasi-money	77.9	83.0	84.1
Net foreign assets	12.2	-20.5	-20.8
Domestic credit	131.7	134.1	151.0
<u>Balance of Payments</u>			
	(in millions of dollars)		
Trade balance	-136.3	-61.6	-16.6
-- Exports, f.o.b.	(368.5)	(339.2)	(330.0)
-- Imports, c.i.f.	(-504.8)	(-400.8)	(-346.7)
Net services	-118.7	-105.7	-94.1
Net transfers	106.8	85.1	35.4
Current account	-148.2	-82.2	-75.3
Net capital inflows	46.3	61.6	18.1
Overall balance (deficit -)	-130.2	-19.3	-57.2
<u>Outstanding External Debt Disbursed</u>			
(end of period)	(in millions of dollars)		
Public	600.9	664.4	724.5
Private ^{2/}	146.7	98	82
<u>Debt Service Ratio</u> ^{3/}			
	(as percentage of exports of goods and non-factor services)		
Public	27.0	33.0	31.0
Private	13.0	11.0	7.0
(1978-83 = 100 on U.S. dollar basis)			
<u>Terms of Trade</u>	58.6	57.5	---
Export price index	60.4	60.9	---
Import price index	103.1	106.0	---
<u>Average Exchange Rate</u>			
	(annual average)		
CFAF per dollar	328.6	378.5	409.0
CFAF per SDR	361.9	405.0	421.3

1/ National Investment Fund.

2/ The private debt is probably understated.

3/ The debt service ratios for 1982 and 1983 are preliminary estimates. The revised estimates are likely to be higher.

Niger: Basic Economic Data

	<u>Projections</u>		
	1982	1983	1984
	(in billions of CFAF)		
Gross Domestic Product at constant 1976 prices	325.0	310.7	311.3
Gross Domestic Product at current market prices	650.4	676.8	732.4
Value added by sector (at current market prices)			
-- Agriculture, livestock, forestry, and fishing	314.1	338.6	370.3
-- Mining	51.1	42.9	46.5
-- Industry, energy, and handicrafts	43.2	47.8	54.4
-- Construction and public works	30.3	25.8	24.0
-- Commerce, transport, and services	132.2	142.8	159.6
-- Government	51.5	54.1	56.6
-- Gross Domestic Product at factor cost	622.4	652.0	711.4
-- Indirect taxes	28.0	24.8	21.0
Gross fixed capital formation	110.9	96.7	92.9
Change in implicit Gross Domestic Product deflator index (%)	9.1	8.8	8.0
Changes in consumer price index in Niamey			
-- African consumption (in %)	11.7	-2.4	---
-- European consumption (in %)	10.4	7.7	---